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# HOUSE BILL No. 1401

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 4-10-20.

**Synopsis:** State spending limit. Limits increases in state expenditures to an amount based on the increase in inflation and population. Allows the general assembly to authorize additional spending through adoption of a concurrent resolution. Establishes the excess tax fund to receive certain state revenues that exceed the spending limit and provides that the fund is to be used to provide property tax relief programs enacted by the general assembly.

**Effective:** Upon passage.

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January 15, 2002, read first time and referred to Committee on Ways and Means.

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Introduced

Second Regular Session 112th General Assembly (2002)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2001 General Assembly.

## HOUSE BILL No. 1401

A BILL FOR AN ACT to amend the Indiana Code concerning state funds.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. IC 4-10-20 IS ADDED TO THE INDIANA CODE AS  
2       A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON  
3       PASSAGE]:

4       **Chapter 20. State Fiscal Year Spending Limit**

5       **Sec. 1. (a) This chapter does not apply to the extent that**  
6       **payments for pensions, including accrued unfunded liability, and**  
7       **final court judgments on which the state is obligated to pay exceed**  
8       **the spending limits imposed by this chapter.**

9       **(b) This chapter does not apply to the extent that money**  
10      **expended from a reserve fund exceeds the spending limits imposed**  
11      **by this chapter if the initial transfer of the money into the reserve**  
12      **fund was included in the fiscal year spending of a previous state**  
13      **fiscal year.**

14      **Sec. 2. As used in this chapter, "CPI" refers to the United States**  
15      **Bureau of Labor Statistics Consumer Price Index for All Urban**  
16      **Consumers for the U.S. City Average for All Items, or its successor**  
17      **index.**

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1       **Sec. 3. As used in this chapter, "fiscal year spending" means all**  
 2       **state governmental expenditures and reserve increases in a state**  
 3       **fiscal year, except expenditures from the following:**

- 4       (1) Money deposited into the excess tax fund established by
- 5       section 11 of this chapter.
- 6       (2) Money received as gifts.
- 7       (3) Federal funds.
- 8       (4) Money collected for another government.
- 9       (5) Pension contributions by employees and pension fund
- 10      earnings.
- 11      (6) Money received from damage awards.
- 12      (7) Money received from property sales.
- 13      (8) Money received from settlement awards.
- 14      (9) State dedicated funds.

15      **Sec. 4. As used in this chapter, "inflation" means, with respect**  
 16      **to any fiscal year, the lesser of:**

- 17      (1) the percentage change between:
- 18          (A) the quotient of:
- 19              (i) the sum of the CPI for the twelve (12) months ending
- 20              in April of the calendar year before the adoption of the
- 21              state biennial budget; divided by
- 22              (ii) twelve (12); and
- 23          (B) the quotient of:
- 24              (i) the sum of the CPI for the twelve (12) months ending
- 25              in April of the calendar year before the calendar year
- 26              described in clause (A); divided by
- 27              (ii) twelve (12); or
- 28      (2) six percent (6%).

29      **Sec. 5. As used in this chapter, "maximum annual percentage**  
 30      **change in fiscal year spending" means the sum of the following:**

- 31      (1) Inflation with respect to the fiscal year in question, as
- 32      calculated under section 4 of this chapter.
- 33      (2) The annual percentage rate of change in population.
- 34      (3) One percent (1%).

35      **Sec. 6. As used in this chapter, "population" means:**

- 36      (1) the number of residents of the state as estimated by the
- 37      United States Bureau of the Census each year; or
- 38      (2) the number of residents of the state as counted by the
- 39      United States Bureau of the Census in a decennial census;
- 40      whichever is determined later.

41      **Sec. 7. As used in this chapter, "state fiscal year" means the**  
 42      **twelve (12) month period beginning July 1 in a calendar year.**

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1       **Sec. 8. Before July 1, 2002, and each even-numbered year**  
 2       **thereafter, the department of state revenue shall:**

3       **(1) certify to the governor and the legislative council:**

4       **(A) the inflation amount calculated under section 4 of this**  
 5       **chapter; and**

6       **(B) the annual percentage rate of change in population;**  
 7       **and**

8       **(2) release the information certified under subdivision (1) to**  
 9       **the general public.**

10       **Sec. 9. (a) This subsection applies to a state fiscal year beginning**  
 11       **July 1, 2003, and each odd-numbered year thereafter. The state**  
 12       **may not increase fiscal year spending more than the maximum**  
 13       **annual percentage change in fiscal year spending applicable to that**  
 14       **state fiscal year.**

15       **(b) This subsection applies to a state fiscal year beginning July**  
 16       **1, 2004, and each even-numbered year thereafter. State fiscal year**  
 17       **spending may not exceed the amount determined under the**  
 18       **following STEPS:**

19       **STEP ONE: Determine the amount of state fiscal year**  
 20       **spending permitted under subsection (a).**

21       **STEP TWO: Multiply the STEP ONE amount by the**  
 22       **maximum annual percentage change in fiscal year spending**  
 23       **applicable to the previous state fiscal year.**

24       **STEP THREE: Add the amount resulting from STEP TWO**  
 25       **to the STEP ONE amount.**

26       **(c) If the general assembly considers it necessary to spend**  
 27       **beyond the spending limit imposed by this chapter, the general**  
 28       **assembly may do so by adopting a concurrent resolution approved**  
 29       **by a majority of both houses of the general assembly. The**  
 30       **resolution must state:**

31       **(1) that the general assembly desires to budget and spend**  
 32       **more funds than permitted by this chapter; and**

33       **(2) the reasons necessitating the excess spending.**

34       **Upon passage of such a resolution, a cause of action may not be**  
 35       **initiated under section 12 of this chapter if the excess spending**  
 36       **results from passage of the resolution and the reasons for the**  
 37       **excess spending stated in the resolution.**

38       **Sec. 10. If revenue from sources not excluded from fiscal year**  
 39       **spending exceeds the spending limit imposed under this chapter for**  
 40       **that state fiscal year, the excess must be deposited into the excess**  
 41       **tax fund established under section 11 of this chapter to be used for**  
 42       **property tax relief programs enacted by the general assembly.**

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1       **Sec. 11. (a) The excess tax fund is established for the purpose of**  
2 **providing property tax relief under programs enacted by the**  
3 **general assembly. The fund shall be administered by the treasurer**  
4 **of state.**

5       **(b) The expenses of administering the fund shall be paid from**  
6 **money in the fund.**

7       **(c) The treasurer of state shall invest money in the fund not**  
8 **currently needed to meet the obligations of the fund in the same**  
9 **manner as other public money may be invested. Interest that**  
10 **accrues from these investments shall be deposited in the fund.**

11       **(d) Money in the fund at the end of a state fiscal year does not**  
12 **revert to the state general fund.**

13       **Sec. 12. This chapter may be enforced in a private individual or**  
14 **class action suit. Successful plaintiffs are allowed costs and**  
15 **reasonable attorney's fees. The state may recover costs and**  
16 **reasonable attorney's fees under this chapter only if a suit against**  
17 **it is ruled frivolous. Revenue collected illegally, kept illegally, or**  
18 **spent illegally for the four (4) state fiscal years preceding the date**  
19 **that the suit is filed shall be deposited in the excess tax fund**  
20 **commencing for each state fiscal year on the date the state exceeds**  
21 **the spending limitation imposed for that state fiscal year under this**  
22 **chapter.**

23       **SECTION 2. An emergency is declared for this act.**

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